

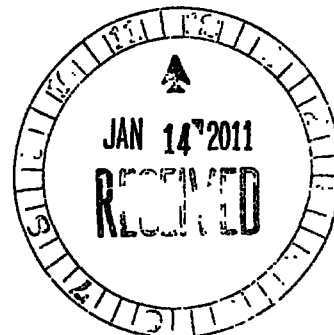
**James E. Howard**

*Attorney at Law*

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January 13, 2011



**VIA FEDERAL EXPRESS**

Cynthia T. Brown  
Chief of the Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street, S.W.  
Washington, DC 20423-0001

Re: STB Docket No. 1043 (Sub.-No. 1)  
Montréal, Maine & Atlantic Ry., Ltd.--Discontinuance of Service  
and Abandonment--In Aroostook and Penobscot Counties, Maine

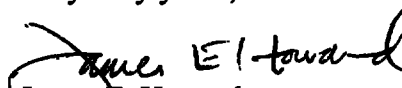
Dear Ms. Brown:

228634

In accordance with the Board's decision served on December 27, 2010 in the above-captioned proceeding, Montréal, Maine & Atlantic Railway, Ltd. ("MMA") hereby submits, for inclusion in the record, a copy of the Interim Service Agreement dated January 13, 2011 between MMA and the State of Maine, acting by and through its Department of Transportation, and a copy of a Certificate of Liability Insurance providing information concerning MMA's liability insurance coverage, as required by 49 CFR 1150.23(b)(4)(iii). It is anticipated that the closing of the purchase and sale agreement between MMA and the State will be completed tomorrow, January 14, 2011, and that MMA will begin to provide rail service in accordance with the Interim Service Agreement at that time.

Please let me know if you have any questions or need additional information.

Very truly yours,

  
James E. Howard

cc: Eric M. Hocky  
Linda J. Morgan

**ENTERED**  
**Office of Proceedings**

**JAN 14 2011**

**Part of**  
**Public Record**



## INTERIM SERVICE AGREEMENT

This Interim Service Agreement (this "Agreement"), is made as of the 13<sup>th</sup> day of January, 2011, by and between **Montreal, Maine & Atlantic Railway, Ltd. ("MMA")**, a Delaware corporation with a place of business at 15 Iron Road, Hermon, Maine; and the **State of Maine**, acting by and through its Department of Transportation, with an address of 16 State House Station, Augusta, Maine 04333-0016 ("MaineDOT"), in conjunction with the closing under the Purchase and Sale Agreement by and between MMA and MaineDOT dated January 4, 2011. Terms not otherwise defined herein shall have the meanings set forth in said Purchase and Sale Agreement.

MMA and MaineDOT, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, hereby agree as follows:

1. Obligation to Provide Freight Rail Service. MMA shall retain the obligation to provide, and shall provide, local and overhead common carrier freight rail service to shippers, receivers, consignees, or other entities located on the Lines (or using the Lines for overhead service), at the frequencies and levels of service required by business conditions and consistent with the frequencies and levels of service that MMA provided during the twelve-month period prior to the Closing.
2. Marketing and Pricing; Revenues. MMA may market, price, and provide its freight rail service on the Lines to freight rail shippers and receivers, without restriction or interference of any kind by MaineDOT. MMA shall be entitled to retain all the

revenues it receives for providing freight rail service on the Lines, and MMA shall not be required to pay any portion of these revenues to MaineDOT.

3. Maintenance of Lines. MMA shall, at its sole cost and expense, maintain all segments of the Lines to the same levels of utility, and to the same Federal Railroad Administration ("FRA") track standards, that they were in on the date of the Closing, ordinary wear and tear excepted and except for the placement of temporary speed restrictions due to the lack of a capital expenditure program. Such maintenance shall consist of the minimum necessary repair of tracks and structures (including, without limitation, bridges), emergency installation of ties and ballast, surfacing work, and repair of existing facilities such as tracks, structures and signals; provided, however, that MMA shall not be required to undertake any repairs other than those that are necessary in order to continue the Lines in service in accordance with this Agreement and shall not be required to make any capital investments in the Lines. In conducting such maintenance, MMA shall use reasonable and customary care, skill, and diligence and shall comply with all applicable laws, regulations, and rules.

4. No Fee For Using Lines. MMA shall have no obligation to pay any per car, trackage rights, or other fee to MaineDOT for using the Lines during the period when MMA is operating the Lines pursuant to this Agreement.

5. Dispatching. MMA shall be responsible for dispatching and controlling any and all trains, locomotives, freight cars, intermodal units, vehicles, and other machinery operating over and along the Lines.

6. Indemnification.

(a) "Indemnitees" means the State of Maine and its officials, agents, and

employees (together with their respective heirs, successors, and assigns).

(b) "Claims" means any and all claims, actions, proceedings, costs, or expenses (including, without limitation, court costs, attorneys' fees and expenses, settlements, judgments, fines, penalties or otherwise) arising directly or indirectly out of or in connection with:

- (i) the maintenance of the Lines (including, without limitation, materials, products, or equipment supplied and/or activities performed) by MMA or MMA's agents, employees, subcontractors, or any other person acting for or with the permission of MMA (including any failure to maintain the Lines in accordance with this Agreement), during the period when MMA is operating the Lines pursuant to this Agreement;
- (ii) the operation of freight rail service on the Lines (including, without limitation, materials, products, or equipment supplied and/or activities performed) by MMA or by MMA's agents, employees, subcontractors, or any other person acting for or with the permission of MMA (including any failure to operate freight rail service on the Lines in accordance with this Agreement), during the period when MMA is operating the Lines pursuant to this Agreement;
- (iii) MMA's use or occupation of the Lines during the period when MMA is operating the Lines pursuant to this Agreement; or
- (iv) any other service provided or activity undertaken pursuant to this Agreement during the period when MMA is operating the Lines pursuant to this Agreement.

(c) MMA shall defend, indemnify, and hold Indemnitees harmless, from and against any and all Claims (except for Claims resulting from the negligent or intentional

acts of an Indemnitee), including (without limitation) Claims for:

- (i) injury or death to any person whatsoever (including, without limitation, employees of the State of Maine and MMA's employees);
- (ii) damage to or loss (including loss of use) of any property whatsoever (including, without limitation, property of MMA and the State of Maine, and goods being transported by rail);
- (iii) pollution or impairment to the environment (including investigation and clean-up costs); and
- (iv) breach of, or errors, acts or omissions relating to, MMA's obligations under this Agreement.

(d) MMA specifically assumes all liability for all Claims asserted against Indemnitees by MMA's employees (except for Claims resulting from the negligent or intentional acts of an Indemnitee), and MMA specifically waives any immunity from the enforcement of this indemnification provision that might otherwise be provided by Maine workers' compensation law, by the Federal Employers' Liability Act, or by any other state or federal law.

(e) The obligations imposed herein shall not be limited by the existence of, or by any limitations or exclusions contained in, any insurance policy.

(f) In case suit shall at any time be brought against an Indemnitee asserting a liability from and against which MMA is obligated to defend, indemnify, and hold that Indemnitee harmless, MMA shall, at its own cost and expense and without any cost or expense whatever to that Indemnitee, defend such suit using counsel acceptable to that Indemnitee and indemnify and save that Indemnitee harmless against all costs and

expenses thereof and promptly pay or cause to be paid any final judgment recovered against that Indemnitee; provided, however, that each Indemnitee shall promptly upon the bringing of any such suit against that Indemnitee give notice thereof to MMA.

(g) The obligations imposed herein shall survive the termination of this Agreement.

**7. Insurance.**

(a) MMA shall, at its sole cost and expense, procure and maintain the insurance coverage specified below. Except with respect to Commercial Railroad Liability Insurance, which shall be placed on a claims-made basis, all insurance shall be placed on an occurrence basis with Insurance carriers that are licensed to do business in Maine and that are acceptable to MaineDOT. Prior to or at the Closing, MMA shall provide MaineDOT with a certificate of insurance giving evidence of the required coverage. All such insurance shall provide for no less than ten days' prior written notice by certified mail (return receipt requested) to be given to MaineDOT in the event coverage is substantially changed, cancelled, or not renewed. MMA shall, on request, permit MaineDOT to examine original insurance policies.

(b) MMA shall waive any and all rights or causes of action against MaineDOT for any and all loss of, or damage to, any property owned or used by MMA and any property owned by third parties in the custody or control of MMA (except for such loss or damage that is caused by the fault or negligent acts or omissions of MaineDOT). Written notice of this waiver shall be given to each Insurance carrier, and said insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of said insurance coverages by reason of this waiver.

**(c) MMA shall procure and maintain the following insurance:**

- (i) Workers' Compensation Insurance to the extent (if any) required by Maine law.**
- (ii) Commercial Railroad Liability Insurance covering liability imposed on MMA with respect to all of MMA's services and activities on the Lines and all obligations assumed by MMA under this Agreement, including FELA liability and liability for third-party "bodily injury" and "property damage" arising out of the discharge, dispersal, release, or escape of pollutants which is caused by or results from a "railroad accident," all as defined in the policy. Independent Contractors Liability, Personal Injury/Advertising Liability, and Contractual Liability coverages are to be included, and all Railroad and Explosion/Collapse/Underground (X-C-U) exclusions are to be deleted. MaineDOT and its successors or assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MaineDOT and its successors and assigns. Coverage under this policy shall be on a claims-made basis and shall have limits of liability not less than Eight Million Dollars (\$8,000,000) per claim and Sixteen Million Dollars (\$16,000,000) per annum for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).**

- (iii) Property Insurance covering all property on the Lines owned or used by MMA in connection with this Agreement, excluding the Lines themselves (but including, without limitation, any leased premises or other property owned by MaineDOT and used by MMA), with limits adequate to protect the full replacement value of such property, and covering all property owned by third parties in the custody or control of MMA, with limits adequate to cover MMA's liability pursuant to applicable bills of lading and other applicable statutes, regulations, and laws governing rail carrier liability for loss or damage to lading. The Property Insurance policy shall contain a waiver of subrogation against MaineDOT and its successors and assigns.
- (iv) Automobile Liability Insurance issued to and covering MMA's liability arising out of the use of all owned, non-owned, hired, rented or leased vehicles which bear, or are required to bear, license plates in the jurisdiction in which they are to be operated. MaineDOT and its successors and assigns shall be named as additional insureds. Coverage under this policy shall have limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).



- (v) Additional insurance, as may be usual and customary with respect to the services provided and activities undertaken on the Lines by MMA, and as may be required under any applicable federal or state statute or regulation, any applicable local ordinance, or any applicable federal or state administrative or judicial order.

(d) Except as MaineDOT may otherwise agree in writing:

- (i) no deductible under any insurance policy may exceed \$500,000;
- (ii) except for policies currently in effect, no insurance may be maintained through so-called "umbrella policies"; and
- (iii) MMA shall continue, at its sole cost and expense, to maintain Commercial Railroad Liability Insurance, as described above, for at least six (6) years after MMA ceases to operate the Lines pursuant to this Agreement; provided, however, that MMA instead may opt to procure tail coverage at MMA's sole cost and expense, so long as the terms and conditions of such tail coverage are acceptable to MaineDOT.

8. Clearing Derailments. If MMA's trains or equipment become derailed, wrecked, or otherwise disabled while on the Lines, they shall be railed or cleared by MMA at MMA's cost and expense. If any portion of the Lines is damaged as a result of a derailment or wreck of MMA's trains or equipment, MMA shall promptly repair such damage at MMA's cost and expense.

9. Release of Hazardous Materials. In the event of leakage, spillage, release, discharge, or disposal of any Hazardous Materials on the Lines by MMA, MMA shall give MaineDOT immediate notice of such event, and MMA shall, at MMA's cost and expense, promptly clean or remediate the Lines in accordance with applicable law.

"Hazardous Materials" means any material or substance that is defined as a hazardous substance, hazardous material, or hazardous waste under the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Water Pollution Control Act, the Clean Air Act, or any other federal or state laws.

10. No Leases, Licenses, or Other Agreements. MMA shall not lease the Lines or any portion thereof. MMA shall not grant any licenses, or enter into any other agreements, affecting the Lines or any portion thereof without the prior written consent of MaineDOT; provided, however, that MaineDOT's consent shall not be required for agreements made by MMA, in the ordinary course of business, that will be fully performed or terminated at the option of MMA during the period when MMA is operating the Lines pursuant to this Agreement or that will not be binding on MaineDOT or on the Short Line.

11. No Assignment. Except as provided in Section 12 below, MMA shall not assign or otherwise transfer any of its rights or obligations under this Agreement to any other entity.

12. Transition of Freight Rail Operations to Short Line.

(a) MaineDOT shall notify MMA no less than thirty (30) days prior to the date (the "Transition Date") on which MMA will stop providing freight rail service over the Lines and the Short Line will start providing freight rail service over the Lines.

(b) MMA shall cooperate, in good faith, in the transition, effective on the Transition Date, from MMA's freight rail service over the Lines to the Short Line's freight rail service over the Lines; and MMA shall take such steps as are reasonably necessary to facilitate a smooth transition of freight rail operations from MMA to the Short Line. If so directed by MaineDOT, MMA shall assign this Agreement to the Short Line. Any such assignment (i) shall be effective as of the Transition Date, (ii) shall not operate as an assignment of MMA's obligations under Sections 6, 7, and 9 of this Agreement, and (iii) shall terminate all of MMA's other responsibilities under this Agreement.

(c) Notwithstanding any other provision of this Agreement, this Agreement shall terminate if the Transition Date has not occurred by the date that is five (5) months after the closing under the Purchase and Sale Agreement.

13. Internal Revenue Code Section 45G. MMA consents to the Short Line claiming, as of the Transition Date, such miles of track represented by the Lines for the purposes of Section 45G of the Internal Revenue Code ("Section 45G"). MaineDOT shall require the Short Line to enter into an equitable agreement with MMA, pursuant to and as permitted by Section 45G, based on the respective expenditures on the Lines by the Short Line and MMA during their respective periods of operation of the Lines, pursuant to which MMA shall be permitted to realize, in any MMA tax year beginning on or after January 1, 2011, the value of the Section 45G tax credit (if any) associated with the qualified railroad track maintenance expenditures paid or incurred by MMA on or with respect to the Lines prior to the Transition Date.

14. Former MMA Employees. MaineDOT shall encourage the Short Line to consider hiring employees of MMA who are no longer required by MMA after the Transition Date and who are interested in employment with the Short Line.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement,  
effective as of the day and year first above written.

Montreal, Maine & Atlantic Railway, Ltd.

By: 

Its PRESIDENT & CEO  
Duly Authorized

State of Maine  
Department of Transportation

By: 

Its Acting Commissioner  
Duly Authorized



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

1/4/2011

PRODUCER (847) 307-6100 FAX: (847) 307-6199

The PLEXUS Groupe LLC

21805 Field Parkway, Suite 300

Deer Park

IL 60010

INSURED

Montreal, Maine and Atlantic Railway Ltd.

Montreal, Maine and Atlantic Canada Co.

15 Iron Road

Hermon

ME 04401

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

NAIC #

INSURER A U.S. Rail Insurance

INSURER B Travelers

INSURER C

INSURER D

INSURER E

## COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A	X	GENERAL LIABILITY	USRI41702103	04/01/2010	04/01/2011	EACH OCCURRENCE	\$ 25,000,000
		<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000
		<input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR				MED EXP (Any one person)	\$ Not Covered
		<input checked="" type="checkbox"/> Loss Divisor Plan				PERSONAL & ADV INJURY	\$ 25,000,000
		GEN'L AGGREGATE LIMIT APPLIES PER				GENERAL AGGREGATE	\$ 50,000,000
		<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				PRODUCTS - COMPROP AGG	\$ 50,000,000
						Employee Ben Liab.	\$1mm pp/agg
						COMBINED SINGLE LIMIT (Ea accident)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
	PROPERTY DAMAGE (Per accident)	\$					
	GARAGE LIABILITY					AUTO ONLY - EA ACCIDENT	\$
	<input type="checkbox"/> ANY AUTO					OTHER THAN EA ACC	\$
						AUTO ONLY AGG	\$
	EXCESS / UMBRELLA LIABILITY					EACH OCCURRENCE	\$
	<input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE					AGGREGATE	\$
							\$
	DEDUCTIBLE						\$
	RETENTION \$						\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY					WC STATU-TORY LIMITS	OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	Y/N				E L EACH ACCIDENT	\$
	If yes, describe under SPECIAL PROVISIONS below					E L DISEASE - EA EMPLOYEE	\$
						E L DISEASE - POLICY LIMIT	\$
X		OTHER Property	QT6603092M067TIL10	04/01/2010	04/01/2011	Rolling Stock per occurrence & agg. for flood & earthquake	\$5,000,000

## DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Maine Department of Transportation and its successors or assigns are additional insured with respect to the Interim Service Agreement.

## CERTIFICATE HOLDER

Department of Transportation  
Attn: Chief Council  
16 State House Station  
Augusta, ME 04333

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

W Fawcett III/AEF